C8950-2
5/16/89

RV Business

TLE1 [illegible] 3DC
3HF
JEANNE [illegible]
CONGRESSIONAL INFO SRV
4520 EAST WEST HWY #600
BETHESDA MD 20814

3

MAY 19, 1989

Mixed Economic Signals Lead to Industry Jitters

The RV industry, like most other seasonal business sectors, is always nervous on the brink of its key selling season. But the neuroses this spring, perhaps fueled by last year's forecasts for average or "flat" 1989 sales, seem worse.

Widely mixed economic indicators clearly have exacerbated the general skittishness. Unemployment rates reached 15-year lows in mid-April, while gas prices and interest rates were higher than last year's. Exports, retail sales, housing starts and factory orders were soft.

Within the industry, despite much negative talk, initial RVIA shipment reports showed that wholesale sales through February retained the robustness set in late 1988. Shipments totaled 35,000 units in February – the best February in a decade. For the year-to-date, towables were down 4% and motorized up 5% by February.

Forced to speculate, most industry sources believe a slowdown of undetermined magnitude has probably occurred in "pockets" of the country, causing dealer inventories of conventional RVs and van conversions to exceed desired levels at the retail and, in some cases, wholesale levels.

"Basically, there's been a slowdown in the market, and there are a number of factors that have caused it," explained Tom Walworth, general manager of Statistical Surveys Inc., Grand Rapids, Mich., which tallies retail registrations for the RV industry. "Weather has been a real factor. The rise in interest rates also has caused consumers to stay away from the

continued on page 8

WHICH WAY FOR CLASS A's? While industry economists predict slipping sales in 1989 and 1990, many Class-A makers and dealers remain bullish about their own prospects. See page 22.

Selling to Aging 'Baby Boomers' May Be Tougher Than Expected

Despite the immediate vagaries of the RV market, industry members are usually optimistic about the long run because of repeated predictions that even better times lie ahead, thanks to aging "baby boomers."

For example, the recently released University of Michigan study commissioned by RVIA concluded that "demographic factors will shift to the advantage of the RV market during the decade ahead. The aging baby-boom population will result in much higher growth rates in the prime buying age groups, and incomes will benefit from the higher proportions of the population in their peak earning years. These factors will create the potential for renewed, vigorous growth. Turning this potential into actual sales is the crucial task ahead."

As a result of these kinds of statistics, some industry observers have offered predictions that range from a doubling of the current 200,000 shipments per year to shipments of more than a million units annually by the turn of the century. There is no question that the potential market is staggering: 77 million people, with nearly 30 million expected to be in the 40-plus age group in the next five years. The U.S. Census Bureau projects that, by 1991, the number of households headed by someone aged 45 to 54 will jump by 51%, to 21.6 million.

But tapping that potential market may not be as easy as some have anticipated.

"The baby boomers are a

continued on page 12

7 NVCA, Detroit Cite Need for Quality Control

7 Coachmen RV Shuts Plants In California

7 Mallard Chief Acquires Goshen Coach

8 Chevrolet Ups Van Chassis Supply by 20%

8 Ford to Start New 'A' Chassis Output in May

9 Odometer Rules Hit Dealers

9 RVSEC Votes To Incorporate

9 Labor Shortage Forecast for Elkhart County

10 Diamond RV Launched by 2 RV Veterans

10 Vyquest Debuts Its Revamped 1990 Models

11 RVIC Promotes RV Industry At German Show

RV BUSINESS

VOLUME 40, NUMBER 4 | MAY 19, 1989 | TWO DOLLARS

14

42

COVER ILLUSTRATION: TOM DILLON

NEWS AND TRENDS

Industry News ____ 7
RV People ____ 14
RVIA Shipments ____ 16
At Retail ____ 19
Blue Chip Consensus ____ 20

FEATURES

Which Way for Class A's? ____ 22

Although industry economists are forecasting a 1989-90 sales decline for Class As, many Class A manufacturers and dealers remain optimistic about their prospects for this year.

New Interest in Downsized A's ____ 34

The number of new, small Class A models recently introduced or in the works may indicate new strength for this market niche. Proponents and critics of downsized Class As debate their future.

DEPARTMENTS

Dealer Concept ____ 42
Calendar ____ 48
In Brief ____ 49
Index to Advertisers ____ 50
Profitmakers ____ 54
Classified Advertising ____ 56
Readers' Forum ____ 57
Commentary ____ 58

RV Business (ISSN 0744-0960, USPS 920-560) is copyrighted 1989 by TL Enterprises Inc. in the United States and Great Britain. All rights reserved. Permission to reprint or quote excerpts granted only upon written request. Second-class controlled postage paid at Agoura, Calif. 91301, and additional entry points. POSTMASTER: send address changes to *RV Business*, PO Box 2000, Agoura, Calif. 91301. Record all changes of address in writing with the Circulation Department at least 30 days before date of issue in which they are to take effect. Address all correspondence and editorial material to the Agoura, Calif., office. *RV Business* is published semimonthly, except three times in March when an annual industry directory is published. Subscription rates: U.S. and Canada, $48 a year, $96 for two years. Foreign subs, $96 per year. Single copies are $2 for regular issues and $9.95 for the directory. Advertising rates are provided on request. *RV Business* is published by TL Enterprises Inc., which also publishes the *RVIA Annual RV Industry Directory*, *Trailer Life*, *MotorHome*, *Rider*, *Trailer Life's Annual RV Buyer's Guide*, *Trailer Life's Campground & RV Services Directory* and *Hi-Way Herald* for the Good Sam Club. TLE's Book Division currently has six books in print.

FEBRUARY 1989 EXPERIENCED BEST FIGURES IN 12 YEARS

MORTON J. MARCUS

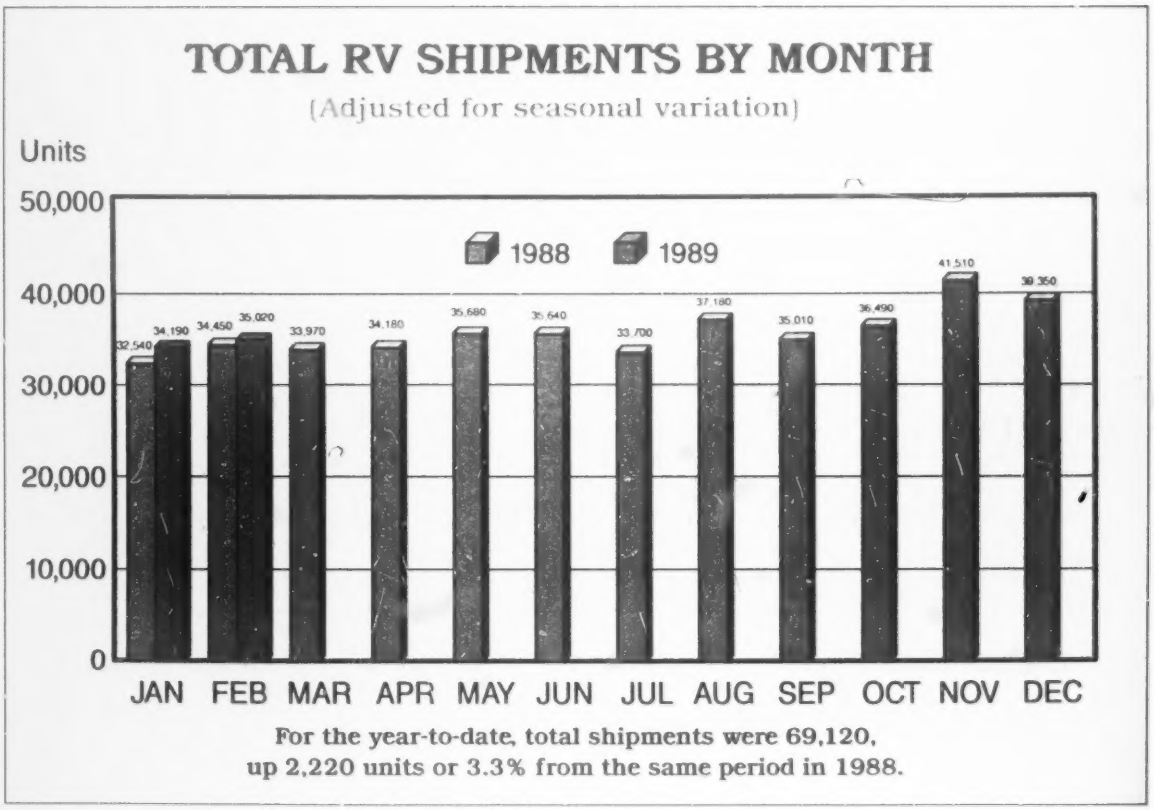


Figure 1

Maybe it's time to change a long-standing prejudice. No one likes February. No one has ever liked February. It has been given the fewest number of days, and there are no distinctive events.

In the North, February is a month of gloom when snow is no longer a novelty. In the South, it is the month during which Northern snowbirds are in full residence, and the annual infestation of college students is anticipated. As far as sports go, football is over, baseball hasn't begun, and basketball excites little more interest than slumbering before the fireplace.

To create commercial excitement during the month, businesses have invented love and patriotism. A minor saint is celebrated with chocolate creations and feigned fidelity. Two presidents have had their birthdays combined into a sale day for sheets, blankets and assorted items left over from Christmas but unsuitable for Easter.

But the RV industry begins to wake up and smell the coffee in February. This year the industry must have had a full dose of caffeine. RVIA reported more shipments in February of 1989 than in any February since 1978. Before seasonal adjustment, total shipments were 35,000 units; after seasonal adjustments, they totaled 35,020. The virtual identity of numbers before and after seasonal adjustments was due to the fact that February is the most typical or least seasonal month for the industry.

Total RV shipments in February were up from both a month earlier in 1989 and from the same month of 1988 (*See Figure 1*). The improvement from January, however, was limited to van conversions (*See Figure 2*). Towables fell by nearly 3% from January, and motorhomes were off by just over 1%.

The Detailed View

For the year-to-date, folding camping trailers and conventional travel trailers together wiped out all the gains made by other towable models. Park models, fifth-wheels and truck campers all advanced in

GRAPHICS: CUSTOM COLOR VISUALS

RVIA SHIPMENTS

RV SHIPMENTS BY TYPE OF UNIT
(Adjusted for seasonal variation)

Total RVs	35,020	2.4	69,210	66,990	3.3
Travel Trailers:					
Conventional	4,700	2.5	9,290	9,500	-2.2
Park Models	770	19.9	1,400	1,290	8.5
Fifth-wheels	2,590	-5.7	5,340	5,140	4.0
Folding Camping Trailers	2,960	-13.0	6,400	7,480	-14.4
Truck Campers	870	0.3	1,740	1,710	1.8
Motorhomes:					
Class A	3,120	0.4	6,630	6,390	3.8
Class B Van Campers	470	51.1	780	780	0.2
Class C:					
Minis	1,750	-2.8	3,560	3,200	11.2
Low Profiles	150	2.6	310	300	1.0
Micro-minis	100	-65.9	410	460	-11.4
Multiuse Van Conversions	17,310	7.8	33,360	30,740	8.5

Note: Data rounded to nearest 10 units.

Figure 2

MARKET SHARE BY TYPE OF UNIT
(Year-to-date, adjusted for seasonal variation)

	1989	1988
Total RVs	100.00	100.00
Travel Trailers:		
Conventional	13.42	14.19
Park Models	2.03	1.93
Fifth-wheels	7.72	7.67
Folding Camping Trailers	9.24	11.16
Truck Campers	2.51	2.55
Total Towables	34.93	37.51
Motorhomes:		
Class A	9.58	9.54
Class B Van Campers	1.12	1.16
Class C:		
Minis	5.14	4.77
Low Profiles	0.44	0.45
Micro-minis	0.59	0.68
Total Motorhomes	16.87	16.60
Multiuse Van Conversions	48.20	45.89

Percentages may not add to total because of rounding.

Figure 3

1989 from their levels for the first two months in 1988; these gains, however, were in lower-volume models and could not offset the nearly 1,200-unit decline in folding camping trailers and the 200-unit decline in conventional travel trailers. As a group, towables were down nearly 1,000 units, or almost 4%, for the year-to-date.

Except for the micro-mini Class C units, all motorhomes in 1989 were running ahead of their 1988 levels. As a group, motorhomes were up by 550 units, or 5%, for the year-to-date. Class A units and Class C minis made up this gain, with other models failing to show gains of consequence.

It could be said that van conversions alone accounted for all of the industry's gain in 1989 to date. After a gain of nearly 1,400 units in January, these units posted another increase of more than 1,200 in February so that, after two months, they were up by 8.5% compared with a year ago.

Without the van conversions included in the industry total, the picture would be quite different — a net loss of 400 units for the year-to-date.

Market Shares

1989 seems to be the year when van conversions are making another drive to hold half of the RV market. Through the first two months, they were at 48% of the total; towables sank below 35%, and motorhomes held on to just under 17%. *(See Figure 3.)*

Since van conversions were first separated out as a distinct segment of the RV market in 1976, these popular units have moved up steadily in consumer support. *(See Figure 4.)* In 1986, van conversions seemed ready to challenge other units for half of the total, but they were sidetracked in 1987. They resumed their advance in 1988, and now it would appear that van conversions will cross the 50% mark by either this year or next.

Some executives in the RV industry do not consider van conversions to be RVs because they do not have the physical characteristics seen as prerequisites for classification as RVs. However, the question is not how the industry views these units, but rather how the consumer behaves in the marketplace. If van conversions are substitutes for towables or for motorhomes when the consumer goes to market, the industry may be missing key signals being sent by RV buyers.

Since 1979, during the vagaries of the economy, van conversions have held no less than one-third of the total volume of the industry without relinquishing market share to any significant extent. Rather than throwing out the van-conversion statistics as an irrelevancy, perhaps they should be taken as advisory — if not as prophecy. Δ

Morton J. Marcus is the director of the Indiana Business Research Center at Indiana University School of Business, where he is also a member of the faculty. Marcus specializes in using statistics to identify economic trends.

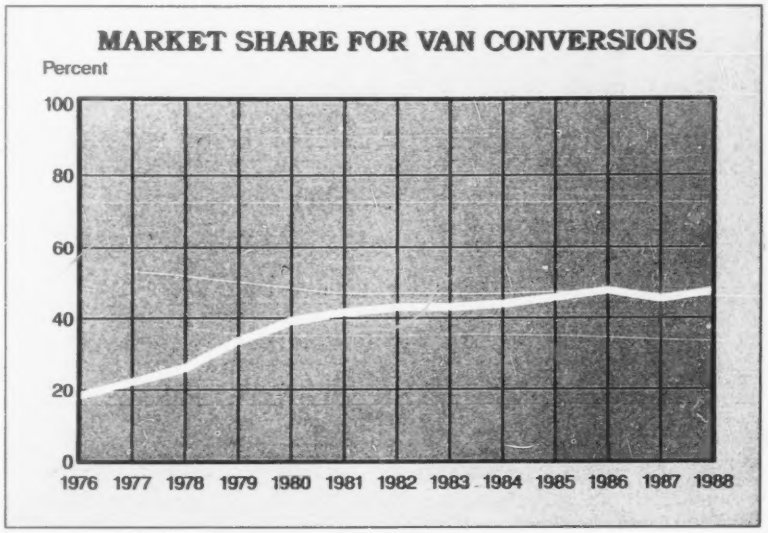
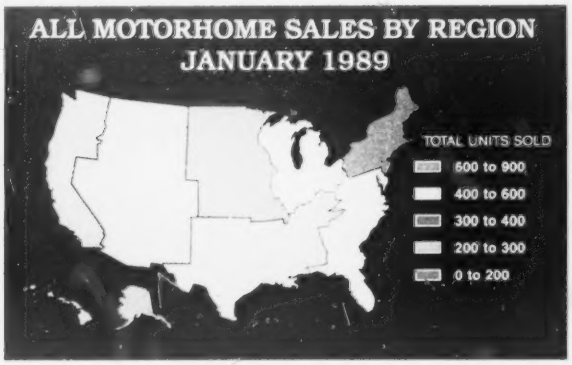


Figure 4

TRAILERS WERE UP, MOTORHOMES DOWN AT THE START OF 1989

THOMAS WALWORTH



East North Central: Illinois, Indiana, Michigan, Ohio, Wisconsin; **Mountain**: Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming; **Northeast**: Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont; **Pacific**: Alaska, California, Oregon, Washington, Hawaii; **South Atlantic**: Delaware, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia; **West North Central**: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota

Based on January retail registrations, the RV-trailer market was up by 159 units, a 3.65% increase over January 1988. The motorhome market, meanwhile, was down 8.46% from the previous January, reflecting a decrease of 253 units.

In talking about a market being up or down, it is a common error to assume that the entire market is responding in the same way. This is not the case with either the RV-trailer or the motorhome market. While the overall markets were either up or down compared with the previous year, market segments deviated from these average directions. The charts on the right illustrate the fact that some regional markets were outperforming the national average by a wide margin.

The motorhome industry—which includes Class As, Class A wide-bodies, Class C minimotorhomes and micro-minis—was down by 8.46%, or 253 units, in January when compared with January 1988. In Figure 1, the regions are ranked by percent of change in retail sales from January 1988.

In the leading East North Central region, the state of Indiana reported the largest sales gain. For the bottom-ranked South Atlantic area, West Virginia experienced the largest percentage decline in sales.

The RV-trailer market—which is made up of conventional travel trailers, fold-downs, fifth-wheels and park models—was up by 3.65%, or 159 units, in January when compared with the same month of 1988. Figure 2 features the ranking of regions by the percent of change in retail sales compared with January 1988.

At the head of the rankings, the West North Central market showed the state of Nebraska as having the largest percentage gain in retail sales. Meanwhile, the lagging Pacific market reported that Washington state experienced the largest percentage decline.

In reviewing the data presented for January, remember that one month does not make the year. The weather was a real factor with this year's January numbers. The Northwest was put into the deep freeze with record cold temperatures, while the Midwest experienced a relatively mild January. The Midwest also had mall shows scheduled for a large retail-sales push. Mall shows seem to bring buyers into the market in the central regions of the country.

In 1989, we look for a slow start to the market, but the market should be as strong as the 1988 market—if not slightly improved. The '89 market should finish stronger toward the end of the year. Δ

MOTORHOME MARKET

Jan. '89 Rank	Region	% of Change From Jan. '88	Dec. '88 Rank
1	E.N. Central	15.60	4
2	W.N. Central	14.30	5
3	Mountain	7.98	1
4	Northeast	– 8.90	3
5	Pacific	– 12.50	2
6	S. Central	– 17.05	6
7	S. Atlantic	– 22.90	7

Figure 1

RV-TRAILER MARKET

Jan. '89 Rank	Region	% of Change From Jan. '88	Dec. '88 Rank
1	W.N. Central	25.42	2
2	Northeast	25.41	4
3	S. Central	20.90	5
4	E.N. Central	– 0.20	6
5	Mountain	– 3.19	1
6	S. Atlantic	– 5.96	7
7	Pacific	– 9.95	3

Figure 2

Thomas Walworth is general manager of Statistical Surveys Inc., Grand Rapids, Mich., which has reported retail statistics for 30 years to the RV industry. Statistical Surveys is an acknowledged leader in the RV statistical field.

GRAPHICS: CUSTOM COLOR VISUALS